

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-12 AID-05 CIAE-00 COME-00 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 GSA-02 L-03 PA-04 PRS-01 USIA-15 INT-08 ARAE-00

DRC-01 /157 W

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P 031859Z OCT 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 2206

C O N F I D E N T I A L LIMA 8390

E.O. 11652: GDS

TAGS: EFIN, EMIN, ETRD, PE

SUBJECT: CUAJONE - STATUS OF FINANCING PACKAGE

REFS: LIMA 8301, STATE 214853

1. FRANK ARCHIBALD, SPCC PRESIDENT AND ALBERT GILLESPIE, GENERAL COUNSEL OF ASARCO, CALLED ON AMBASSADOR OCTOBER 3 TO REVIEW STATUS OF CUAJONE FINANCIAL PACKAGE. THEY COVERED SAME GROUND REPORTED LIMA 8301, NOTING FURTHER THAT CHASE MANHATTAN REPRESENTATIVES WHO ARRIVED YESTERDAY ARE PLANNING TO CALL ON RANKING BANCO DE LA NACION, MINEROPERU AND MINISTRY OF ECONOMY AND FINANCE OFFICIALS TO CONVEY LEVEL OF CHASE CONCERN OVER TAX EXONERATION ISSUE. GILLESPIE SAID THAT FOR THE MOMENT CHASE IS "CARRYING THE BALL" IN DISCUSSIONS WITH THE GOP AND THAT SPCC WOULD NOT ATTEMPT TO UNDERTAKE NEGOTIATIONS AT THIS TIME.

2. GILLESPIE, WHO JUST ARRIVED FROM NEW YORK, REPORTED THAT CHASE REPRESENTATIVES HAD LENGTHY DISCUSSION WITH COFIDE PRESIDENT BARUA AT IBRD/IMF MEETING IN WASHINGTON AND THAT FINANCE MINISTER VARGAS IS NOW FULLY INFORMED ABOUT NATURE  
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AND SERIOUSNESS OF TAX PROBLEM. BARUA TOLD CHASE OFFICIALS

THAT HE WOULD ALSO INFORM GOP. GILLESPIE SAID AS WELL THAT CHASE HAD INFORMED PRESIDENT CASEY OF EXIM ABOUT IMPASSE AND THAT MINISTER VARGAS PLANNED TO CALL ON CASEY YESTERDAY (PRESUMABLY ABOUT PIPELINE LOAN). GILLESPIE EXPLAINED FURTHER THAT ONE TECHNICAL SOLUTION TO PROBLEM IS TO OBTAIN TAX RULING THAT COPPER IS NOT BEING SOLD FOR EXPORT AT TIME OF REFINING, AN AVENUE THAT MIGHT BE ACCEPTABLE TO MINEROPERU.

3. COMMENT: GILLESPIE, REFLECTING NEW YORK HEADQUARTERS VIEWS, APPEARED VERY CONCERNED OVER PRESENT IMPASSE AND WAS PARTICULARLY IN QUANDRY ABOUT WHETHER TIME HAS COME TO PUSH GOP HARD SINCE SPCC FINANCIAL SUPPORT FOR CUAJONE CANNOT CONTINUE INDEFINITELY WITHOUT A RESOLUTION. HE WAS PARTICULARLY CONCERNED ABOUT OBTAINING A SUPREME DECREE (AN APPROACH FAVORED BY BILLITON LAWYERS) SINCE THIS INVOLVES ALL OF CABINET AND AUTOMATICALLY BRINGS PRESIDENT VELASCO DIRECTLY INTO DECISION-MAKING PROCESS. HE THEREFORE IS STRESSING RESOLUTION OF ISSUE AT LOWER LEVEL AND THROUGH A TECHNICAL INTERPRETATION OF PERUVIAN LAW. HE ALSO EXPRESSED VIEW, WHICH EMBASSY SHARES, THAT AT THIS STAGE IT IS PROBABLY MORE ADVANTAGEOUS TO HAVE CHASE PRESENT THE CASE TO THE GOP OFFICIALS INVOLVED RATHER THAN SPCC SINCE, AS ARCHIBALD SAID HIMSELF, PERUVIANS SOMETIMES DISCOUNT SPCC'S STATEMENTS. AMBASSADOR SAID EMBASSY STANDS READY TO ASSIST IN ANY FEASIBLE WAY, SHOULD SPCC BELIEVE IT WOULD BE HELPFUL. AT THE MOMENT, WE WILL AWAIT OUTCOME OF CHASE DISCUSSIONS BEFORE CONSIDERING FURTHER STEPS.

DEAN

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## Message Attributes

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